



Tuesday, April 12, 2011

## **Bill ends full-price tax on discount cellphones**

**By Michael Gardner**

Sacramento — The sales tax on Assemblyman Martin Garrick's new Blackberry rang up based on a suggested retail price of about \$500 — not on the \$99 he actually paid.

Stunned at being billed five times more than he felt he should have been, Garrick has introduced legislation to change how sales tax is levied on smartphones and other mobile devices.

"It's time to hang up on these excessive taxes," said Garrick, R-Solana Beach, in introducing Assembly Bill 279.

Under current law, customers pay tax on the full retail price of a cellphone regardless of whether they receive a discount for signing a long-term service contract or other reasons. Consumers even pay a sales tax when the phone is free.

The legislation would calculate sales tax on mobile devices based on the actual price the customer pays out the door, whether it's a discounted amount or full retail.

"That extra money belongs to consumers, not big government," Garrick said. The Board of Equalization, the tax agency that adopted the policy in 1999, estimated the state would lose about \$181.3 million in sales tax annually if the measure is signed into law, according to a board analysis.

Board of Equalization spokeswoman Anita Gore said the true cost of the phone is folded into service plans so the members feel the tax should be calculated based on the retail value.

"If not for the service plan they are getting, they would pay more for the phone," Gore explained.

Board member Michelle Steel, who represents San Diego County, disagrees with the policy and has tried to make changes at the board level. In a statement of support for Garrick's bill, Steel said the legislation "will bring fairness to the way cellphones are taxed."

The measure goes before the Assembly Revenue and Taxation Committee May 2.